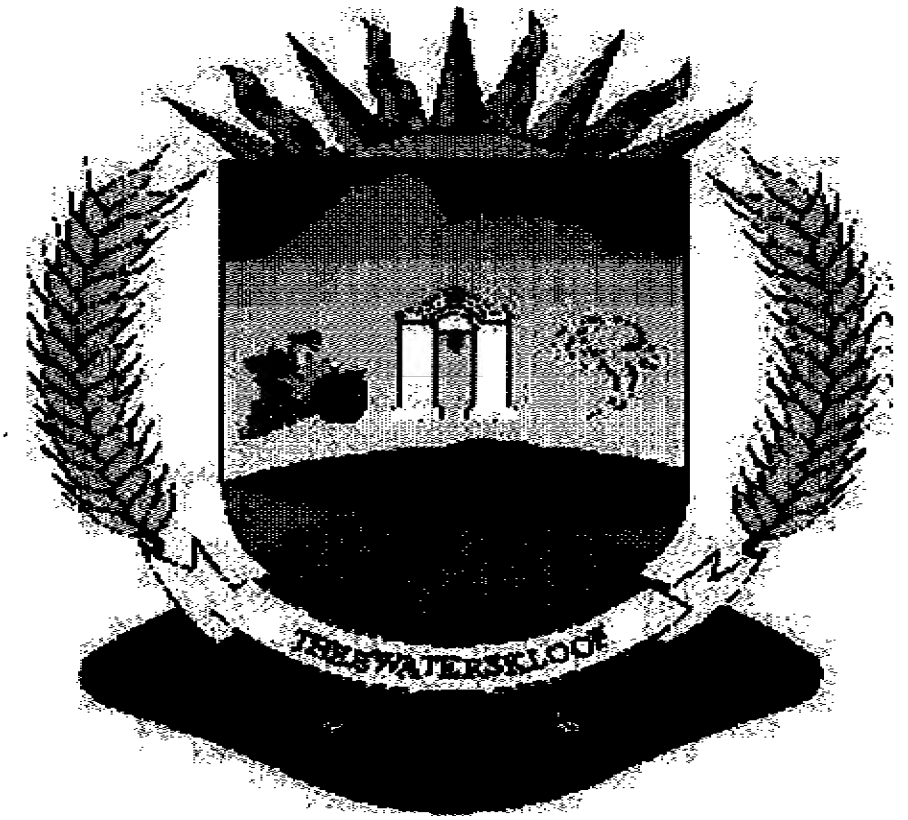
THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Theewaterskloof Municipality includes the following areas:

Caledon	*Greyton*
Grabouw	*Genadendal*
Villiersdorp	*Botrivier*
Riviersonderend	*Tesselaarsdal*

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mrs. P.U. Stanfliet
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mrs C.N. Booysen-Nefdt
Executive Councillor	Mr. G.E.M. Carelse
Executive Councillor	Mr. M. Tshaka
Executive Councillor	Mr K Papier
Executive Councillor	Mrs. C. Vosloo (Speaker)

MUNICIPAL MANAGER

Mr. H.S.D. Wallace

CHIEF FINANCIAL OFFICER

Mr. S.N. Jacobs

REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

ATTORNEYS

Bosman & Smit
Fairbridges Attorneys
Herold Gie Attorneys
IAJ Malherbe Incorporated
Johnson Kuun & Co
Claughton & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfliet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mr M Mathews
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C. Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D. November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mr. A.H.F. Cupido
Proportional	Mrs. S.R. Witbooi
Proportional	Mr. M.R. Nongxaza
Proportional	Mr J Swartz

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 77 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr H.S.D. Wallace
Municipal Manager

30 August 2012
Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		**480 733 387**	**499 102 399**
Revaluations Reserve	2	11 422 657	11 158 466
Social Contribution Reserve	2	55 278	39 200
Accumulated Surplus		469 255 452	487 904 733
Non-Current Liabilities		**168 910 097**	**151 256 435**
Long-term liabilities	3	112 746 944	100 128 801
Employee benefits	4	32 265 034	28 519 104
Non-current provisions	5	23 898 119	22 608 530
Current Liabilities		**56 128 059**	**44 492 922**
Consumer deposits	6	3 244 769	3 149 348
Current Employee benefits	7	13 421 103	11 270 845
Provisions	8	-	151 583
Payables from exchange transactions	9	24 369 773	21 570 773
Unspent conditional government grants and receipts	10	7 387 066	2 328 784
Unspent Public Contributions	11	167 235	85 632
Taxes	12.1	1 019 867	661 022
Operating lease liability	21.1	-	3 451
Current portion of long-term liabilities	3	6 518 246	5 271 484
Total Net Assets and Liabilities		**705 771 543**	**694 851 756**
ASSETS			
Non-Current Assets		**660 975 922**	**642 171 053**
Property, plant and equipment	13	452 578 034	404 114 707
Capitalised restoration costs	14	186 592	373 638
Investment property	15	206 047 260	235 582 830
Intangible assets	16	2 126 200	2 058 713
Long-term receivables	17	37 837	41 165
Current Assets		**44 795 621**	**52 680 703**
Inventory	18	2 256 683	1 883 869
Receivables from exchange transactions	19	11 777 104	22 370 459
Receivables from non-exchange transactions	20	6 617 131	3 565 253
Unpaid conditional government grants and receipts	10	109 943	182 255
Operating lease asset	21.2	272 777	184 700
Taxes	12	2 343 654	1 866 392
Current portion of long-term receivables	17	4 601	4 241
Cash and cash equivalents	22	21 413 727	22 623 534
Total Assets		**705 771 543**	**694 851 756**

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		**164 149 501**	**158 858 616**	**-**	**158 858 616**
Taxation Revenue		**43 226 388**	**41 130 046**	**-**	**41 130 046**
Property taxes	23	43 226 388	41 130 046	-	41 130 046
Transfer Revenue		**110 839 198**	**102 254 582**	**-**	**102 254 582**
Government Grants and Subsidies	24	110 270 199	101 395 347	-	101 395 347
Public Contributions and Donations		568 999	859 235	-	859 235
Other Revenue		**10 083 915**	**15 473 988**	**-**	**15 473 988**
Third Party Payments		61 708	414 278	-	414 278
Fines		2 941 835	3 627 434	-	3 627 434
Fair Value Adjustments	27	7 080 372	11 432 276	-	11 432 276
Revenue from Exchange Transactions		**139 424 654**	**125 980 525**	**-**	**125 980 525**
Service Charges	25	121 180 002	108 733 355	-	108 733 355
Rental of Facilities and Equipment		1 104 844	1 351 701	-	1 351 701
Interest Earned - external investments		1 738 106	1 664 552	-	1 664 552
Interest Earned - outstanding debtors		7 833 546	7 389 348	-	7 389 348
Licences and Permits		2 926 316	2 612 474	-	2 612 474
Agency Services		1 836 310	1 778 155	-	1 778 155
Other Income	26	2 805 530	2 450 940	-	2 450 940
Gain on disposal of Property, Plant and Equipment		-	-	-	-
Total Revenue		**303 574 155**	**284 839 141**	**-**	**284 839 141**
EXPENDITURE					
Employee related costs	28	108 915 385	96 475 594	-	96 475 594
Remuneration of Councillors	29	7 167 744	6 022 360	-	6 022 360
Debt Impairment	30	31 030 847	18 637 852	-	18 637 852
Depreciation and Amortisation	31	8 514 963	7 804 481	640 563	7 163 918
Impairments	32	41 290 590	1 607 092	-	1 607 092
Repairs and Maintenance		15 553 160	14 054 054	-	14 054 054
Actuarial losses	4	423 426	4 910 343	-	4 910 343
Finance Charges	33	13 857 438	10 934 109	-	10 934 109
Bulk Purchases	34	41 474 697	34 790 079	-	34 790 079
Contracted services		11 307 937	9 949 008	-	9 949 008
Grants and Subsidies	35	638 395	427 760	-	427 760
Operating Grant Expenditure	36	15 360 442	27 559 606	-	27 559 606
General Expenses	37	26 425 297	23 988 853	-	23 988 853
Loss on disposal of Property,Plant and Equipment		247 037	788 977	-	788 977
Total Expenditure		**322 207 358**	**257 950 168**	**640 563**	**257 309 605**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(18 633 203)**	**26 888 973**	**(640 563)**	**27 529 536**

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Revaluations Reserve	Capital Replacement Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 30 JUNE 2010	**7 913 567**	-	**30 650**	**459 266 318**	467 210 535
Correction of error - Note - 38	-	-	-	1 757 992	1 757 992
Restated balance at 1 JULY 2010	**7 913 567**	-	**30 650**	**461 024 310**	**468 968 527**
Net Surplus for the year	-	-	-	26 888 973	26 888 973
Revaluation of PPE	3 244 899	-	-	-	3 244 899
Transfer to Social contribution Reserve	-	-	8 550	(8 550)	-
Balance at 30 JUNE 2011	**11 158 466**	-	**39 200**	**487 904 733**	**499 102 399**
Net Deficit for the year	-	-	-	(18 633 203)	(18 633 203)
Revaluation of PPE	264 191	-	-	-	264 191
Transfer to Social contribution Reserve	-	-	16 078	(16 078)	-
Balance at 30 JUNE 2012	**11 422 657**	-	**55 278**	**469 255 452**	**480 733 387**

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other (Restated 2011)		171 110 190	160 996 550
Government grants (Restated 2011)		115 400 792	96 422 786
Interest		9 571 652	9 053 900
Payments			
Suppliers and employees		(235 202 873)	(221 553 822)
Finance charges	33	(13 857 438)	(10 934 109)
Transfers and Grants		(638 395)	(427 760)
Cash generated by operations	40	**46 383 928**	**33 557 545**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(64 897 856)	(44 623 013)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		3 689 320	3 577 514
Purchase of Intangible Assets	16	(348 493)	(46 549)
Decrease in Long-term Receivables	17	2 969	4 695
Net Cash from Investing Activities		**(61 554 060)**	**(41 087 353)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(7 520 217)	(3 911 222)
New loans raised		21 385 121	26 495 960
Increase in Consumer Deposits		95 421	206 852
Net Cash from Financing Activities		**13 960 325**	**22 791 590**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1 209 807)**	**15 261 783**
Cash and Cash Equivalents at the beginning of the year		22 623 534	7 361 751
Cash and Cash Equivalents at the end of the year	41	21 413 727	22 623 534
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1 209 807)**	**15 261 783**

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality: **Standard**	**Description**	**Effective Date**
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Municipality does not participate in such business transactions.	**1 April 2013**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**Unknown**

GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.	**Unknown**
GRAP 24 **(Original – Nov 2007)**	**Presentation of Budget Information in Financial Statements** This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.	**1 April 2012**
GRAP 103 **(Original – July 2008)**	**Heritage Assets** The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements. No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.	**1 April 2012**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**

GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	**Unknown**
IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8.2 Social Contribution Reserve

The municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.

- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.

1.8.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.14. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial

Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees . Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.15. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.16.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.16.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		*Years*
Infrastructure		**Other**	
Roads and Stormwater	5 - 150	Buildings	20 -100
Refuse	20 - 50	Specialist vehicles	10 - 35
Electricity	10 - 100	Other vehicles	5 - 30
Water	10 - 200	Office equipment	3 -15
Sewerage	10 - 200	Furniture and fittings	5-20
Housing	20 - 100	Watercraft	15 - 30
		Bins and containers	5 - 15
Community		Specialised plant and Equipment	5 -35
Buildings	20 - 100	Other plant and Equipment	2- 25
Recreational Facilities	20-30	Landfill sites	20 - 100
Security	5 - 15	Quarries	20 - 100
Halls	20-30	Emergency equipment	5 - 25
Libraries	20-30	Computer equipment	3 - 15
Parks and gardens	15-20		
Other assets	15-30		
Finance lease assets			
Office equipment	3 - 15		
Other assets	5 – 15		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.16.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.17.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	**Years**
Computer Software	5 - 10

1.17.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. INVESTMENT PROPERTY

1.18.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.18.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.18.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of

the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21. NON CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or

produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 *Receivables*

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.2 *Payables and Annuity Loans*

Financial liabilities consist of Landfill sites provisions, payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.23.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

1.23.3 De-recognition of Financial Instruments

1.23.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24. REVENUE

1.24.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses.

Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.24.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. .

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.25. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer an all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based

on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.243.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.234.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.32. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

		2012 R	2011 R
2	**NET ASSET RESERVES**		
	Revaluations Reserve	11 422 657	11 158 466
	Social Contributions Reserve	55 278	39 200
	Total Net Asset Reserves	**11 477 935**	**11 197 666**

3	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	102 144 132	85 486 698
	Capitalised Lease Liability - At amortised cost	98 087	48 289
	Stock loans	17 022 971	19 865 299
		119 265 190	**105 400 285**
	Current Portion transferred to Current Liabilities	**(6 518 246)**	**(5 271 484)**
	Annuity Loans - At amortised cost	(6 506 297)	(5 223 195)
	Capitalised Lease Liability - At amortised cost	(11 949)	(48 289)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	**112 746 944**	**100 128 801**

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	17 054 300	13 589 583
Payable within two to five years	61 409 629	50 845 314
Payable after five years	116 236 596	106 690 791
	194 700 525	171 125 688
Less: Future finance obligations	(92 556 393)	(85 638 989)
Present value of annuity obligations	**102 144 132**	**85 486 698**

Annuity loans at amortised cost is calculated at 9.46%-16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	113 680	49 898
Payable within two to five years	189 467	-
Payable after five years		
	303 148	49 898
Less: Future finance obligations	(205 061)	(1 609)
Present value of lease obligations	**98 087**	**48 289**

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
	Bizhub Copiers	12.25%	0%	3 Years	30/06/2012
DFA Solutions	Laptop computers	9%	0%	3 Years	28/02/2015

Leases are secured by property, plant and equipment, which consist of photo copier machines and laptop computers - Note 13

	2012 R	2011 R
Remuneration of the Director Financial Services - SN Jacobs		
Annual Remuneration	940 471	881 409
Car Allowance	90 000	90 000
Performance Bonuses	133 961	-
Total	**1 164 432**	**971 409**
Remuneration of the Director Operational Services - J Barnard		
Annual Remuneration	688 790	645 552
Car Allowance	62 428	62 428
Contributions to UIF, Medical and Pension Funds	138 367	130 618
Performance Bonuses	106 750	
Total	**996 336**	**838 599**

29 REMUNERATION OF COUNCILLORS

Mayor	622 270	600 710
Deputy Mayor	504 724	484 157
Speaker	504 568	484 157
Mayoral Committee Members	2 197 017	1 365 060
Councillors	3 339 165	3 088 277
Total Councillors' Remuneration	**7 167 744**	**6 022 361**

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act.

H S B Wallace
Municipal Manager

30 DEBT IMPAIRMENT

Receivables from exchange and non-exchange transactions - Note 20	31 030 847	18 207 628
Cash and Cash Equivalents - Note 22	-	430 224
Total Contribution to Debt Impairment	**31 030 847**	**18 637 852**

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment (Restated 2011)	8 047 621	7 299 210
Capitalised restoration costs	186 335	231 331
Intangible Assets	281 007	273 940
	8 514 963	**7 804 481**

32 IMPAIRMENTS

Property Plant & Equipment	8 364 529	294 344
Capitalised restoration costs	711	59 998
Investment Property	32 925 350	1 252 750
	41 290 590	**1 607 092**

33 FINANCE CHARGES

Long-term Liabilities	12 719 432	9 456 733
Pension Fund Arrears	-	103 391
Non-current provisions	1 138 006	1 373 985
Total finance charges	**13 857 438**	**10 934 109**

		2012 R	2011 R
4	**EMPLOYEE BENEFITS (CONTINUE)**		
4.1	**Post Retirement Benefits**		

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	154	146
In-service (employee) non-members	420	447
Continuation members (e.g. Retirees, widows, orphans)	31	29
Total Members	**605**	**622**

The liability in respect of past service has been estimated to be as follows:

In-service members	16 503 387	14 414 000
Continuation members	13 176 239	12 100 500
Total Liability	**29 679 626**	**26 514 500**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Members	19 691 820	17 762 374	14 781 876
Total Liability	**19 691 820**	**17 762 374**	**14 781 876**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:	2012 %	2011 %
I) Rate of Interest		
Discount rate	7.92%	8.65%
Health Care Cost Inflation Rate	6.94%	7.32%
Net Effective Discount Rate	0.92%	1.24%

II) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

III) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:	2012 R	2011 R
Present value of fund obligations	29 679 626	26 514 500
Net liability	**29 679 626**	**26 514 500**

	2012 R	2011 R
4 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26 514 500	19 691 820
Total expenses	2 995 355	2 099 475
Current service cost	1 681 047	1 099 294
Interest Cost	2 255 069	1 761 631
Benefits Paid	(940 761)	(761 450)
Actuarial loss	169 771	4 723 205
Present value of fund obligation at the end of the year	29 679 626	26 514 500
Less: Transfer of Current Portion - Note 7	(935 496)	(892 680)
Balance 30 June	**28 744 130**	**25 621 820**

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	16.503	13.176	29.679

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	20.122	14.644	34.766	17%
Health care inflation	-1%	13.675	11.915	25.590	-14%
Post-retirement mortality	-1 year	17.053	13.702	30.755	4%
Average retirement age	-1 year	17.97	13.176	31.146	5%
Withdrawal Rate	-50%	18.727	13.176	31.903	7%

	2012 R	2011 R
4.2 Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Long Service Bonuses.	572	578
	2012 %	**2011 %**
Key actuarial assumptions used:		
i) Rate of Interest		
Discount rate	6.69%	7.89%
General Salary Inflation (long-term)	5.97%	6.30%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.68%	1.50%
	2012 R	**2011 R**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3 890 156	3 252 067
Net liability	**3 890 156**	**3 252 067**

4 **EMPLOYEE BENEFITS (CONTINUE)**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R	2008 R
Total Liability	**2 654 371**	**2 306 200**	**1 868 134**
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year		3 252 067	2 654 371
Total expenses		384 433	410 559
Current service cost		469 887	407 235
Interest Cost		242 855	232 191
Benefits Paid		(328 309)	(228 867)
Actuarial loss		253 656	187 137
Present value of fund obligation at the end of the year		3 890 156	3 252 067
Less: Transfer of Current Portion - Note 7		(369 252)	(354 783)
Balance 30 June		**3 520 904**	**2 897 284**

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		3.890	
General salary inflation	1%	4.202	8%
General salary inflation	-1%	3.612	-7%
Average retirement age	-2 yrs	3.318	-15%
Average retirement age	2 yrs	4.388	13%
Withdrawal rates	-50%	4.988	28%

4.3 **Retirement funds**

CAPE JOINT PENSION FUND

4.3 **Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities; the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2011 revealed that the fund is in an sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

		2012 R	2011 R
5	**NON-CURRENT PROVISIONS**		
	Provision for Rehabilitation of Landfill-sites	23 898 119	22 608 530
	Total Non-current Provisions	**23 898 119**	**22 608 530**
	Landfill Sites		
	Balance 1 July	22 760 113	21 386 128
	Contribution for the year	1 138 006	1 373 985
	Total provision 30 June	**23 898 119**	**22 760 113**
	Less: Transfer of Current Portion to Current Provisions - Note 8	-	(151 583)
	Balance 30 June	**23 898 119**	**22 608 530**

The municipality did not, as yet, rehabilitate any of it's Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework.

6	**CONSUMER DEPOSITS**		
	Water & Electricity	3 244 769	3 149 348
	Total Consumer Deposits	**3 244 769**	**3 149 348**
	Guarantees held in lieu of Electricity and Water Deposits	**266 050**	**266 050**

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7	**CURRENT EMPLOYEE BENEFITS**		
	Current Portion of Post Retirement Benefits - Note 4	935 496	892 680
	Current Portion of Long-Service Provisions - Note 4	369 252	354 783
	Staff Leave	10 482 871	7 295 790
	Performance Bonuses	579 733	677 399
	Compensation for injuries on duty contribution	810 366	1 082 385
	Pension fund shortfall	-	749 717
	Pension	128 604	128 604
	Group Insurance	114 781	89 487
	Total Current Employee Benefits	**13 421 103**	**11 270 845**

The movement in current employee benefits are reconciled as follows:

	2012 R	2011 R
Staff Leave		
Balance at beginning of year	7 295 790	6 031 105
Contribution to current portion	3 743 862	1 777 747
Expenditure incurred	(556 781)	(513 062)
Balance at end of year	**10 482 871**	**7 295 790**

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Performance Bonuses		
Balance at beginning of year	677 399	654 256
Contribution to current portion	579 733	677 398
Expenditure incurred	(677 399)	(654 255)
Balance at end of year	**579 733**	**677 399**

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Compensation for injuries on duty contribution		
Balance at beginning of year	1 082 385	493 883
Contribution to current portion	1 928 203	588 502
Expenditure incurred	(2 200 222)	
Balance at end of year	**810 366**	**1 082 385**

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Pension Fund shortfall		
Balance at beginning of year	749 717	646 326
Expenditure incurred	(749 717)	-
Interest on arrear account		103 391
Balance at end of year	**-**	**749 717**

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

Pension		
Balance at beginning of year	128 604	48 478
Contribution to current portion		80 126
Balance at end of year	**128 604**	**128 604**

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Group Insurance		
Fair Value at beginning of year	89 487	70 932
Fair Value adjustment during the year.	25 294	18 555
Fair value at end of year	**114 781**	**89 487**

Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.

	2012 R	2011 R
Task implementation		
Balance at beginning of year	-	725 308
Expenditure incurred		(725 308)
Balance at end of year	-	-

An agreement was reached on the implementation of a national salary grading structure with backpay paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4	-	151 583
Total Provisions	-	151 583

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	13 987 558	10 774 673
Interest Accrued	1 938 215	974 687
Payments received in advance	2 018 944	2 532 572
Retentions	5 698 589	5 483 602
Sundry Deposits	709 628	598 903
Land Sales deposits	16 839	1 206 336
Total Trade Payables	24 369 773	21 570 773

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts. The municipality did not default on any of it's obligations.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	7 387 066	2 328 784
National Government Grants	4 836 471	1 920 130
Provincial Government Grants	2 183 622	253 344
Other Grant Providers	366 973	155 309
Less: Unpaid Grants	109 943	182 255
National Government Grants	109 943	-
Provincial Government Grants	-	182 255
Total Conditional Grants and Receipts	7 277 123	2 146 528

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 UNSPENT PUBLIC CONTRIBUTIONS

HAN	167 235	85 632
Total Unspent Public Contributions	167 235	85 632

Reconciliation of public contributions

HAN		
Opening balance	85 632	-
Contributions received	650 602	944 866
Conditions met - Transferred to revenue	(568 999)	(859 235)
Closing balance	167 235	85 632

Upliftment of previously disadvantaged communities

		2012 R	2011 R
12	**TAXES**		
12.1	**VAT PAYABLE**		
	VAT Payable	9 529 768	10 559 794
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	(8 509 901)	(9 898 772)
	Total Vat payable	1 019 867	661 022
12.2	**VAT RECEIVABLE**		
	VAT Receivable	2 343 654	1 866 392
	Total VAT receivable	2 343 654	1 866 392
12.3	**NET VAT RECEIVABLE/(PAYABLE)**	1 323 787	1 205 370

VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value	Cost						Accumulated Depreciation Charges and Impairment Losses							Carrying Value
	Opening Balance R	Additions R	Revaluations	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	**108 735 100**	**8 052 064**	**799 015**	**9 495 179**	**-**	**108 091 000**	**-**		**595 826**		**(595 826)**	**-**	**-**	**108 091 000**
Land	48 068 800	6 821 355	899 900	7 987 355	-	47 802 700	-	-	-		-	-	-	47 802 700
Buildings	57 666 300	1 230 709	(100 885)	1 507 824	-	57 288 300	-	-	595 826		(595 826)	-	-	57 288 300
Infrastructure	**328 600 021**	**53 928 650**	**-**	**-**	**-**	**382 528 671**	**66 297 200**	**-**	**5 421 577**		**-**	**-**	**71 718 777**	**310 809 893**
Roads and Storm water	99 809 316	4 309 453	-	-	-	104 118 769	29 362 275	-	2 167 027		-	-	31 529 301	72 589 467
Electricity Network	31 940 789	5 995 528	-	-	-	37 936 317	8 904 254	-	570 776		-	-	7 475 030	30 461 287
Sewerage Network	75 636 905	15 011 611	-	-	-	90 648 516	12 200 597	-	1 076 123		-	-	13 276 720	77 371 796
Water Network	102 341 962	10 622 733	-	-	-	112 964 695	17 404 521	-	1 502 318		-	-	18 906 839	94 057 855
Refuse Removal	383 832	807 781	-	-	-	1 191 613	157 241	-	15 895		-	-	173 136	1 018 477
Housing	18 487 217	17 181 544				35 668 761	268 312	-	89 438				357 750	35 311 010
Community Assets	**10 869 988**	**-**	**-**	**-**	**-**	**10 869 988**	**5 584 024**	**-**	**452 150**		**-**	**-**	**6 036 174**	**4 833 814**
Recreation Grounds	3 579 935	-	-	-	-	3 579 935	1 288 652	-	179 364		-	-	1 468 016	2 111 918
Community Halls	839 927	-	-	-	-	839 927	429 990	-	28 056		-	-	458 046	381 882
Libraries	3 894 000	-	-	-	-	3 894 000	2 466 046	-	130 073		-	-	2 596 119	1 297 881
Parks & Gardens	1 753 024	-	-	-	-	1 753 024	1 092 591	-	87 831		-	-	1 180 422	572 603
Cemeteries	803 102	-	-	-	-	803 102	306 745	-	26 826		-	-	333 571	469 531
Lease Assets	**506 891**	**100 000**	**-**	**-**	**267 891**	**339 000**	**147 051**	**-**	**44 911**		**-**	**53 539**	**138 423**	**200 577**
Office Equipment	506 891	100 000	-	-	267 891	339 000	147 051	-	44 911		-	53 539	138 423	200 577
Other Assets	**36 941 718**	**2 817 142**	**-**	**-**	**80 488**	**39 678 372**	**6 510 736**	**-**	**1 533 157**		**-**	**8 270**	**8 035 623**	**31 642 749**
Vehicles	4 254 544	55 614	-	-	80 488	4 229 670	508 238	-	96 193		-	8 270	596 160	3 633 510
Tools & Equipment	2 577 726	707 361	-	-	-	3 285 087	464 879	-	279 923		-	-	744 802	2 540 285
Furniture	1 148 530	38 897	-	-	-	1 187 427	288 227	-	64 754		-	-	352 982	834 445
Equipment	2 602 774	280 222	-	-	-	2 882 996	831 729	-	243 738		-	-	1 075 466	1 807 530
Special Vehicles	21 841 048	1 053 573	-	-	-	22 894 621	3 258 787	-	471 656		-	-	3 730 443	19 164 177
Tables	339 075	32 757	-	-	-	371 832	97 843	-	20 189		-	-	118 032	253 800
Chairs	649 528	28 737	-	-	-	678 265	132 394	-	38 369		-	-	170 763	507 502
Office Equipment	1 454 255	106 607	-	-	-	1 560 862	431 198	-	127 701		-	-	558 897	1 001 965
Computer Hardware	1 905 729	513 374	-	-	-	2 419 103	494 569	-	179 378		-	-	673 947	1 745 156
Other	168 510	-	-	-	-	168 510	2 874	-	11 257		-	-	14 131	154 379
	482 653 718	**64 897 856**	**799 015**	**9 495 179**	**348 379**	**538 507 031**	**78 539 011**	**-**	**8 047 621**		**(595 826)**	**61 809**	**85 929 997**	**452 578 034**

30 JUNE 2011

Reconciliation of Carrying Value

(Restated 2011)	Cost						Accumulated Depreciation Charges and Impairment Losses								Carrying Value
	Opening Balance R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R		R
Land and Buildings	103 107 468	270 572	2 651 414	294 344	-	105 735 100	-	-	593 485	-	(593 485)	-	-		105 735 100
Land	45 509 468	-	2 570 832	11 500	-	48 068 800	-		-	-	-	-	-		48 068 800
Buildings	57 597 990	270 572	80 582	282 844	-	57 666 300	-		593 485	-	(593 485)	-	-		57 666 300
Infrastructure	287 222 753	41 377 267	-	-	-	328 600 021	60 961 656	376 689	4 057 862	900 993	-	-	66 297 200		262 302 820
Roads and Storm water	90 629 860	9 179 456	-	-	-	99 809 316	27 345 041	20 666	1 769 869	226 699	-	-	29 362 275		70 447 041
Electricity Network	28 421 248	3 519 541	-	-	-	31 940 789	6 333 244	8 814	383 346	178 849	-	-	6 904 254		25 036 535
Sewerage Network	70 696 076	4 940 829	-	-	-	75 636 905	11 107 418	132 558	819 296	141 325	-	-	12 200 597		63 436 308
Water Network	88 207 014	14 134 948	-	-	-	102 341 962	15 855 688	214 651	980 062	354 120	-	-	17 404 521		84 937 440
Refuse Removal	383 832	-	-	-	-	383 832	141 390		15 852		-	-	157 241		226 591
Housing	8 884 724	9 602 493				18 487 217	178 875		89 437				268 312		18 218 904
Community Assets	10 186 968	683 020	-	-	-	10 869 988	5 069 794	97 442	401 625	15 163	-	-	5 584 024		5 285 964
Recreation Grounds	2 896 915	683 020	-	-	-	3 579 935	1 047 105	96 800	130 226	14 521	-	-	1 288 652		2 291 282
Community Halls	839 927	-	-	-	-	839 927	402 010		27 980		-	-	429 990		409 938
Libraries	3 894 000	-	-	-	-	3 894 000	2 336 329		129 717		-	-	2 466 046		1 427 954
Parks & Gardens	1 753 024	-	-	-	-	1 753 024	1 004 358	642	86 949	642	-	-	1 092 591		660 434
Cemeteries	803 102	-	-	-	-	803 102	279 992		26 753		-	-	306 745		496 357
Leased Assets	1 784 991	-	-	-	1 278 100	506 891	584 608	17 797	15 971	17 797	-	489 123	147 051		359 840
Office Equipment	1 784 991	-	-	-	1 278 100	506 891	584 608	17 797	15 971	17 797	-	489 123	147 051		359 840
Other Assets	34 649 564	2 292 154	-	-	-	36 941 718	7 239 345	(2 024 920)	1 589 701	-293 390	-	-	6 510 736		30 430 981
Vehicles	4 149 488	105 056	-	-	-	4 254 544	871 141	(457 649)	202 579	(107 834)	-	-	508 238		3 746 307
Tools & Equipment	1 897 451	680 275	-	-	-	2 577 726	225 408	54 946	169 023	15 501	-	-	464 879		2 112 846
Furniture	1 019 670	128 859	-	-	-	1 148 530	225 240	6 511	53 206	3 271	-	-	288 227		860 302
Equipment	2 160 096	442 679	-	-	-	2 602 774	641 241	4 856	180 776	4 856	-	-	831 729		1 771 046
Special Vehicles	21 721 466	119 581	-	-	-	21 841 048	4 471 807	(1 683 681)	703 506	(232 845)	-	-	3 258 787		18 582 261
Tables	288 539	50 536	-	-	-	339 075	81 402	389	16 052		-	-	97 843		241 232
Chairs	547 868	101 670	-	-	-	649 538	95 113	6 192	28 919	2 170	-	-	132 394		517 134
Office Equipment	1 270 047	184 208	-	-	-	1 454 255	294 640	20 309	101 611	14 737	-	-	431 196		1 023 058
Computer Hardware	1 584 849	310 780	-	-	-	1 905 729	333 462	23 207	131 156	6 754	-	-	494 569		1 411 159
	436 951 735	44 623 013	2 651 414	294 344	1 278 100	482 653 718	73 855 403	(1 532 992)	6 656 644	640 563	(593 485)	489 123	78 639 011		404 114 707

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security:	2012 R	2011 R
No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	61 708	414 278
Surplus/Deficit	61 708	414 278
Impairment of property plant and equipment for the year		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	9 495 179	294 344
	9 495 179	294 344

The current economic climate with resultant declining property values is the main reason for impairment charges.

Fair value of Land and Buildings was determined by a registered Valuator - Mr De Kock.

Changes in accounting estimates

Useful lives were reviewed but since all useful lives were allocated during the comparative year no adjustment was necessary to any useful lives. Residual values were allocated but treated as a correction of error since it was not allocated during the implementation of Directive 4 in the comparative year.

14 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	373 638	683 424
Cost	3 432 613	3 432 613
Accumulated Depreciation	(2 980 520)	(2 749 189)
Accumulated Impairments	(78 455)	(18 457)
Depreciation for the year	(186 335)	(231 331)
Impairment for the year	(711)	(59 998)
Net Carrying amount at 30 June	186 592	373 638
Cost	3 432 613	3 432 613
Accumulated Depreciation	(3 166 855)	(2 980 520)
Accumulated Impairments	(79 166)	(78 455)

15 INVESTMENT PROPERTY

Net Carrying amount at 1 July	235 582 830	228 982 273
Cost - Balance previously reported	235 582 830	228 757 273
Correction of error - Note 38.01	-	225 000
Disposals	(3 689 320)	(3 577 514)
Fair Value Adjustments - Impairment	(32 925 350)	(1 252 750)
Revaluation increase	7 079 100	11 430 821
Net Carrying amount at 30 June	206 047 260	235 582 830
Cost	206 047 260	235 582 830

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property	1 112 828	1 107 076
Operating expenditure incurred on properties	5 772 020	8 529 299

16 INTANGIBLE ASSETS

	2012 R	2011 R
Computer Software		
Net Carrying amount at 1 July	**2 058 713**	**2 286 104**
Cost	2 770 652	2 724 103
Accumulated Amortisation	(711 939)	(437 999)
Additions	348 493	46 549
Amortisation	(281 007)	(273 940)
Net Carrying amount at 30 June	**2 126 200**	**2 058 713**
Cost	3 119 145	2 770 652
Accumulated Amortisation	(992 946)	(711 939)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value 2012 R	Carrying Value 2011 R
Computer software	9 years	2 126 200	2 058 713

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

17 LONG-TERM RECEIVABLES

Officials' Housing Loans - At amortised cost	48 173	52 414
Less: Unamortised Discount on Loans	(5 735)	(7 008)
Balance 1 July	(7 008)	(8 463)
Adjustment for the period	1 272	1 455
	42 438	45 406
Less: Current portion transferred to current receivables	(4 601)	(4 241)
Officials Housing Loans - At amortised cost	(4 601)	(4 241)
	37 837	41 165
Total Long Term Receivables	**37 837**	**41 165**

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

All remaining amounts are collectable.

18 INVENTORY

Maintenance Materials - At cost	1 988 866	1 614 179
Water – at cost	267 817	269 690
Total Inventory	**2 256 683**	**1 883 869**

A reconciliation of water losses is included in Note 45.4

		2012 R	2011 R
19	**RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Electricity	6 029 561	5 994 270
	Water	35 185 712	29 821 845
	Refuse	25 931 432	21 413 706
	Sewerage	23 995 942	21 098 829
	Other	7 090 626	10 940 902
	Total Receivables from Exchange Transactions	**98 233 272**	**89 269 552**
	Less: Allowance for Doubtful Debts	(86 456 168)	(66 899 093)
	Total Net Receivables from Exchange Transactions	**11 777 104**	**22 370 459**

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

20	**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**		
	Rates	20 406 649	21 967 263
	Other Receivables	2 742 553	4 304 052
	Accrued Fines	-	423 483
	Total Receivables from Non-Exchange Transactions	**23 149 202**	**26 694 798**
	Less: Allowance for Doubtful Debts	(16 532 071)	(23 129 545)
	Total Net Receivables from Non-Exchange Transactions	**6 617 131**	**3 565 253**

Ageing of receivables

Current (0 - 30 days)	13 528 461	12 193 409
1 to 3 months	6 652 275	8 717 961
3 to 6 months	7 015 815	5 667 658
Longer than 6 months	94 185 922	89 385 321
Total	**121 382 474**	**115 964 350**

Reconciliation of Provision for Bad Debts

Balance at beginning of year	90 028 638	84 562 223
Contribution to provision	29 641 976	20 407 456
Bad Debts Written Off	(16 682 376)	(14 941 040)
Balance at end of year	**102 988 239**	**90 028 638**

Rates debtors are are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

		2012 R	2011 R
21	**OPERATING LEASE ARRANGEMENTS**		
21.1	**The Municipality as Lessee (Liability)**		
	Balance on 1 July	3 451	17 257
	Movement during the year	(3 451)	(13 806)
	Balance on 30 June	-	3 451

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year		44 810
1 to 5 Years		-
More than 5 Years		-
Total Operating Lease Arrangements	-	44 810

Theewaterskloof Municipality leased erf no. 538, in Caledon, from Tresso Trading 525 (Pty) Ltd for 3 year during the period September 2009 to August 2011 with a escalation of 8% per year.

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

21.2	**The Municipality as Lessor (Asset)**		
	Balance on 1 July	184 700	116 163
	Movement during the year	88 077	68 537
	Balance on 30 June	272 777	184 700

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

		(Restated)
Up to 1 Year	566 338	682 760
1 to 5 Years	2 125 914	2 217 358
More than 5 Years	2 004 026	2 478 919
Total Operating Lease Arrangements	4 696 277	5 379 037

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1% and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

22	**CASH AND CASH EQUIVALENTS**		
	Assets		
	Call Investments Deposits	15 042 204	15 394 461
	Primary Bank Account	6 365 123	7 222 673
	Cash Floats	6 400	6 400
	Total Cash and Cash Equivalents - Assets	21 413 727	22 623 534

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R 7 554 301 are held to fund the Unspent Conditional Grants (2011: R2 414 416).

		2012 R	2011 R
22	**CASH AND CASH EQUIVALENTS (CONTINUED)**		

The municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2010: R 451 898), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue , however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

Current Accounts

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	6 365 123	7 222 673
	6 365 123	**7 222 673**

Traffic account is cleared daily to Primary Bank Account.

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):

Cash book balance at beginning of year	7 222 673	2 369 704
Cash book balance at end of year	6 365 123	7 222 673
Bank statement balance at beginning of year	7 506 549	2 122 695
Bank statement balance at end of year	6 016 898	7 506 549

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Nedbank	03/7881715316/001	Notice deposit	151 164	143 787
Intermeuron Capital Ltd	CA 002	Notice deposit	430 224	430 224
ABSA	9095225460	Notice deposit	12 865 739	13 343 903
ABSA	90 8877 0478	Redemption Fund	1 910 520	1 817 284
Sanlam		Shares Investment	114 781	89 487
Less: Provision for impairment			(430 224)	(430 224)
			15 042 204	**15 394 461**

23	**PROPERTY RATES**		
	Actual		
	Rateable Land and Buildings	45 219 179	42 477 807
	Residential, Commercial Property, State	45 219 179	42 477 807
	Less: Rebates	(1 992 791)	(1 347 761)
	Total Assessment Rates	**43 226 388**	**41 130 046**

Valuations - 1 JULY 2009

Rateable Land and Buildings

Residential	3 769 813 500	3 522 093 500
Business & Commercial	831 144 000	700 273 000
Public benefit Organizations	114 289 000	216 329 500
State-owned	193 514 000	132 557 000
Agricultural	3 891 759 500	4 041 902 500
Other	387 746 000	573 383 500
Total Assessment Rates	**9 188 266 000**	**9 186 539 000**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 (R50 000 for those earning less than R3500 p.m.) on the valuation is exempted.

Rates:		
Residential	0.62 c/R	0.58 c/R
Commercial	1.24 c/R	1.15 c/R
Agricultural	0.155 c/R	0.145 c/R

23 PROPERTY RATES (CONTINUED)

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24 GOVERNMENT GRANTS AND SUBSIDIES

	2012 R	2011 R
Unconditional Grants	**44 750 000**	**43 654 220**
Equitable Share	44 750 000	43 654 220
Conditional Grants	**65 520 198**	**57 741 126**
EPWP	1 464 372	255 961
National Electrification Program	1 000 000	-
Municipal Infrastructure Grant	19 549 524	20 305 654
MSIG Funds	1 336 458	1 063 542
Finance Management Grant	1 715 976	923 740
Neighbourhood Development Program Grant	127 272	-
Regional Bulk Infrastructure Grant	276 983	-
Sportsfield: Caledon	-	193 081
Sportfield: Grabouw	-	498 607
CDW's	145 238	443 685
Housing	31 623 753	32 437 219
Township Development: Dennekruin	-	17 797
Main Roads Subsidy	2 828 000	60 000
Library Subsidy	4 234 000	678 000
DBSA GIS	22 224	-
DBSA Local Economic Development	556 600	635 156
SETA	639 798	228 684
Total Government Grants and Subsidies	**110 270 198**	**101 395 346**

The municipality does not expect any significant changes to the level of grants.

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	44 750 000	43 654 220
Executive & Council	2 946 069	1 763 189
Budget & Treasury	57 761 305	54 586 985
Planning & Development	578 824	652 953
Community & Social Services	4 234 000	678 000
Road Transport		60 000
	110 270 198	101 395 347

24.01 Equitable share

Opening balance	-	-
Grants received	44 750 000	43 654 220
Conditions met - Transferred to revenue	(44 750 000)	(43 654 220)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R286.50 per month (2011: R228)

24.02 EPWP

Opening balance	1 427 639	694 600
Grants received	973 000	989 000
Conditions met - Transferred to revenue	(1 464 372)	(255 961)
Conditions still to be met	936 267	1 427 639

To extend services to communities through a nationally co-ordinated approach.

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.03	**National Electrification Program**		
	Opening balance	-	-
	Grants received	1 000 000	-
	Conditions met - Transferred to revenue	(1 000 000)	-
	Conditions still to be met	-	-

To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply

24.04	**Municipal Infrastructure Grant**		
	Opening balance	-	4 905 654
	Grants received	21 577 000	15 400 000
	Conditions met - Transferred to revenue	(19 549 524)	(20 305 654)
	Conditions still to be met	2 027 476	-

The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.

24.05	**MSIG Funds**		
	Opening balance	136 458	-
	Grants received	1 200 000	1 200 000
	Conditions met - Transferred to revenue	(1 336 458)	(1 063 542)
	Grant expenditure to be recovered	-	136 458

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

24.06	**Finance Management Grant**		
	Opening balance	356 033	279 773
	Grants received	1 250 000	1 000 000
	Conditions met - Transferred to revenue	(1 715 976)	(923 740)
	Grant expenditure to be recovered	(109 943)	356 033

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

24.07	**Neighbourhood Development Program Grant**		
	Opening balance	-	-
	Grants received	2 000 000	-
	Conditions met - Transferred to revenue	(127 272)	-
	Grant expenditure to be recovered	1 872 728	-

The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.

24.08	**Regional Bulk Infrastructure Grant**		
	Opening balance	-	-
	Grants received	276 983	-
	Conditions met - Transferred to revenue	(276 983)	-
	Grant expenditure to be recovered	-	-

The grant was utilised to construct sewerage bulk infrastructure in Grabouw.

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.08	**Sportsfield : Caledon**		
	Opening balance	-	193 081
	Grants received	-	-
	Conditions met - Transferred to revenue	-	(193 081)
	Grant expenditure to be recovered	-	-
24.09	**Sportfield: Grabouw**		
	Opening balance	-	498 607
	Conditions met - Transferred to revenue	-	(498 607)
	Grant expenditure to be recovered	-	-
24.10	**Spatial Development Framework**		
	Opening balance	30 469	30 469
	Grant expenditure to be recovered	30 469	30 469
24.11	**Botrivier Development Contribution**		
	Opening balance	38 889	38 889
	Grant expenditure to be recovered	38 889	38 889
	To obtain a policy for dealing with development applications and the payment of development contributions		
24.12	**CDW's**		
	Opening balance	52 484	321 169
	Grants received	190 900	175 000
	Conditions met - Transferred to revenue	(145 238)	(443 685)
	Grant expenditure to be recovered	98 146	52 484
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.		
24.13	**Project Reparation**		
	Opening balance	69 400	69 400
	Grant expenditure to be recovered	69 400	69 400
	Development of project plans.		
24.14	**Housing**		
	Opening balance	(182 255)	13 919
	Grants received	33 290 623	32 241 045
	Conditions met - Transferred to revenue	(31 623 753)	(32 437 219)
	Grant expenditure to be recovered	1 484 615	(182 255)
	Provide housing to the indigents.		
24.15	**Township Development: Dennekruin**		
	Opening balance	-	17 797
	Conditions met - Transferred to revenue	-	(17 797)
	Grant expenditure to be recovered	-	-

		2012 R	2011 R
24	**GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)**		
24.16	**Financial Support Grant**		
	Opening balance	-	-
	Grants received	400 000	-
	Conditions met - Transferred to revenue	-	-
	Grant expenditure to be recovered	400 000	-
	The grant is intended to be utilised for the improvement of financial governance.		
24.17	**Multi Purpose Bus**		
	Opening balance	62 102	62 102
	Grant expenditure to be recovered	62 102	62 102
24.18	**Main Roads Subsidy**		
	Opening balance	-	-
	Grants received	2 828 000	60 000
	Conditions met - Transferred to revenue	(2 828 000)	(60 000)
	Grant expenditure to be recovered	-	-
24.19	**Library Subsidy**		
	Opening balance	-	-
	Grants received	4 234 000	678 000
	Conditions met - Transferred to revenue	(4 234 000)	(678 000)
	Grant expenditure to be recovered	-	-
24.20	**Other Grant Providers**		
	Opening balance	155 309	(6 371)
	Grants received	1 430 286	1 025 521
	Conditions met - Transferred to revenue	(1 218 622)	(863 841)
	Conditions still to be met	366 973	155 309
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
24.21	**Total Grants**		
	Opening balance	2 146 528	7 119 088
	Grants received	115 400 792	96 422 786
	Conditions met - Transferred to revenue	(110 270 198)	(101 395 346)
	Conditions still to be met/(Grant expenditure to be recovered)	**7 277 122**	**2 146 528**
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	7 387 066	2 328 784
	Unpaid Conditional Government Grants and Receipts	(109 943)	(182 255)
		7 277 123	**2 146 528**
25	**SERVICE CHARGES**		
	Electricity	55 062 599	46 752 054
	Water	35 254 594	34 162 938
	Refuse removal	16 074 033	14 165 286
	Sewerage and Sanitation Charges	14 622 826	13 418 944
	Other Service Charges	165 950	234 133
	Total Service Charges	**121 180 002**	**108 733 355**

		2012 R	2011 R
26	**OTHER INCOME**		
	Plot Rental	333 618	25 332
	Building Plan fees	765 149	636 692
	Cemetery fees	315 857	304 736
	Valuation Certificates	157 816	146 475
	Vehicle Registration fees	349 385	321 791
	Sundry income	883 705	1 015 914
	Total Other Income	**2 805 530**	**2 450 940**
27	**FAIR VALUE ADJUSTMENTS**		
	Unamortised Discount - Interest	1 272	1 455
	Investment Property	7 079 100	11 430 821
		7 080 372	**11 432 276**
28	**EMPLOYEE RELATED COSTS**		
	Salaries	68 112 262	62 369 501
	Overtime	2 045 763	2 102 308
	Standby Allowances	1 004 797	897 679
	Transport Allowance	4 620 994	4 554 420
	Housing Subsidy	668 810	647 257
	Other Allowance	379 047	547 844
	Bonus	5 334 996	5 013 068
	Group Insurance	1 370 088	1 059 011
	Medical Aid Contribution	3 195 445	2 824 557
	Pension Fund Contribution	11 252 155	10 326 288
	Unemployment Fund	610 102	568 643
	Leave Reserve Fund	3 743 862	1 777 748
	Workmens Compensation Contributions	1 928 204	588 501
	Contribution to provision - Long Service Awards	469 887	337 844
	Contribution to provision - Post Retirement Medical	1 681 047	1 099 294
	Post Retirement Finance Charges	2 497 924	1 761 631
	Total Employee Related Costs	**108 915 385**	**96 475 594**

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. Aall other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - HSD Wallace		
Annual Remuneration	1 002 889	940 004
Car Allowance	125 641	125 641
Contributions to UIF, Medical and Pension Funds	29 498	26 010
Performance Bonuses	150 544	
Total	**1 308 572**	**1 091 656**
Remuneration of the Director Technical Services - C van Heerden		
Annual Remuneration	869 850	813 116
Car Allowance	120 000	120 000
Performance Bonuses	79 188	
Total	**1 069 038**	**933 116**
Remuneration of the Director Corporate Services - J Isaacs		
Annual Remuneration	791 674	745 537
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	138 175	127 579
Performance Bonuses	98 985	
Total	**1 088 834**	**933 116**
Remuneration of the Director Development Services - MH Gxoyiya		
Annual Remuneration	709 298	665 214
Car Allowance	120 000	120 001
Performance Bonuses	108 883	147 902
Total	**938 181**	**933 116**

	2012 R	2011 R
Remuneration of the Director Financial Services - SN Jacobs		
Annual Remuneration	940 471	881 409
Car Allowance	90 000	90 000
Performance Bonuses	133 961	-
Total	**1 164 432**	**971 409**
Remuneration of the Director Operational Services - J Bernard		
Annual Remuneration	688 790	645 552
Car Allowance	62 428	62 428
Contributions to UIF, Medical and Pension Funds	138 367	130 618
Performance Bonuses	106 750	
Total	**996 336**	**838 599**

29 REMUNERATION OF COUNCILLORS

Mayor	622 270	600 710
Deputy Mayor	504 724	484 157
Speaker	504 568	484 157
Mayoral Committee Members	2 197 017	1 365 060
Councillors	3 339 165	3 088 277
Total Councillors' Remuneration	**7 167 744**	**6 022 361**

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act.

H S D Wallace
Municipal Manager

30 DEBT IMPAIRMENT

Receivables from exchange and non-exchange transactions - Note 20	31 030 847	18 207 628
Cash and Cash Equivalents - Note 22	-	430 224
Total Contribution to Debt Impairment	**31 030 847**	**18 637 852**

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment (Restated 2011)	8 047 621	7 299 210
Capitalised restoration costs	186 335	231 331
Intangible Assets	281 007	273 940
	8 514 963	**7 804 481**

32 IMPAIRMENTS

Property Plant & Equipment	8 364 529	294 344
Capitalised restoration costs	711	59 998
Investment Property	32 925 350	1 252 750
	41 290 590	**1 607 092**

33 FINANCE CHARGES

Long-term Liabilities	12 719 432	9 456 733
Pension Fund Arrears	-	103 391
Non-current provisions	1 138 006	1 373 985
Total finance charges	**13 857 438**	**10 934 109**

		2012 R	2011 R
34	**BULK PURCHASES**		
	Electricity	34 770 298	28 781 283
	Water	6 704 399	6 008 796
	Total Bulk Purchases	**41 474 697**	**34 790 079**
35	**GRANTS AND SUBSIDIES**		
	Indigent Subsidies : Escom payments	638 395	427 760
	Total Grants and Subsidies	**638 395**	**427 760**
36	**OPERATING GRANT EXPENDITURE**		
	Operating grant expenditure per vote		
	Executive & Council	3 175 750	1 734 112
	Budget & Treasury	11 516 450	25 172 541
	Planning & Development	668 242	652 953
	Total Operating grant expenditure	**15 360 443**	**27 559 607**
37	**GENERAL EXPENSES**		
	Audit Fees	2 489 126	2 309 616
	Bank Charges	273 133	240 664
	Clean and Green Project	378 001	346 479
	Computer charges	69 627	222 519
	Fuel Cost	3 594 743	2 824 826
	Insurance	781 157	659 629
	Material and protective clothing	1 530 181	1 307 765
	Membership fees	735 668	464 898
	Postage	217 984	606 790
	Printing and stationery	638 094	594 863
	Quick Wins	47 276	1 374 640
	Rates and taxes	1 127 794	1 075 361
	Electricity - Escom	4 551 064	4 065 011
	Skills development levy	810 684	687 992
	Telephone	2 122 955	2 019 431
	Training	577 262	427 438
	Travel and subsistence	548 324	470 778
	Water Purification	1 120 414	1 060 873
	Other	4 811 809	3 227 080
	General Expenses	**26 425 297**	**23 988 853**

		2011 R
38	**CORRECTION OF ERROR IN TERMS OF GRAP 3**	
38.01	**Investment Properties**	
	Balance previously reported	235 357 830
	Correction of Opening Balance on Cost due to an erf not previuosly recognised - Note 15 and 38.03	225 000
	Total	**235 582 830**
38.02	**Property Plant and Equipment**	
	Balance previously reported	403 222 278
	Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 13 and 38.03	1 532 992
	Correction of prior year depreciation due to incorrect calculations - Note 13 and 38.03	(640 563)
	Total	**404 114 707**
38.03	**Accumulated Surplus/(Deficit)**	
	Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 38.02	1 532 992
	Correction of Opening Balance on Investment Properties due to an erf not previously recognised - Note 38.01	225 000
	Total	**1 757 992**

		2011 R
39	**STATEMENT OF FINANCIAL PERFORMANCE**	
	Balance previously reported	
	Correction of prior year depreciation due to incorrect calculations - Note 38.02	(640 563)
	Total	(640 563)

		2012 R	2011 R
40	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year	(18 633 203)	26 888 973
	Adjustments for:		
	Depreciation	8 233 956	7 530 541
	Impairments	41 290 590	1 607 092
	Amortisation of Intangible Assets	281 007	273 940
	(Gain) / Loss on disposal of property, plant and equipment	286 569	788 977
	Grants received (restated 2011)	115 400 792	96 422 786
	Grants recognised as revenue (restated 2011)	(110 270 198)	(101 395 346)
	Contribution from/to employee benefits- non current	4 648 858	3 500 351
	Contribution from/to employee benefits - non-current - expenditure incurred	(1 269 069)	(990 318)
	Contribution from/to employee benefits - non-current - actuarial losses	423 426	4 910 343
	Contribution to employee benefits – current	6 277 092	3 245 719
	Contribution to employee benefits – current - expenditure incurred	(4 184 119)	(1 892 625)
	Fair Value Adjustments - Property, Plant and Equipment	(7 079 100)	(11 430 821)
	Contribution to provisions – bad debt	29 641 976	20 837 680
	Contribution to provisions – bad debt - Cash and Cash Equivalents reduced	-	(430 224)
	Impairment written off	(16 682 376)	(14 941 040)
	Operating lease income accrued	(88 077)	(68 537)
	Operating lease expenses accrued	(3 451)	(13 806)
	Changes in Non-current provisions - Unwinding of interest	1 138 006	1 373 985
	Operating Surplus/(Deficit) before changes in working capital	49 412 680	36 217 669
	Changes in working capital	(3 028 752)	(2 660 124)
	Increase/(Decrease) in Trade and Other Payables	2 799 000	4 496 748
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts (Restated 2011)	-	-
	Increase/(Decrease) in Unspent Public Contributions	81 603	85 632
	Increase/(Decrease) in Taxes	(118 417)	1 200 679
	(Increase)/Decrease in Inventory	(372 614)	(297 811)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(8 963 720)	(9 730 620)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	3 545 596	1 585 248
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts (Restated 2011)	-	-
	Cash generated/(absorbed) by operations	46 383 928	33 557 545

41	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 22	15 042 204	15 394 461
	Cash Floats - Note 22	6 400	6 400
	Bank - Note 22	6 365 123	7 222 673
	Total cash and cash equivalents	21 413 727	22 623 534

42	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 41	21 413 727	22 623 534
		21 413 727	22 623 534
	Less:	(15 475 252)	(8 115 712)
	Unspent Committed Conditional Grants - Note 10	(7 387 066)	(2 328 784)
	Less: Unspent loans	(8 088 186)	(5 786 928)
	Resources available for working capital requirements	5 938 475	14 507 822

		2012 R	2011 R
43	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 3	119 265 190	105 400 285
	Used to finance property, plant and equipment - at cost	(127 353 376)	(111 187 213)
		(8 088 186)	(5 786 928)
	Cash set aside for the repayment of long-term liabilities	-	
	Cash invested for repayment of long-term liabilities	**(8 088 186)**	**(5 786 928)**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

44 **BUDGET COMPARISONS**

44.1 **Operational**

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Revenue by source				
Property Rates	43 226 388	39 742 286	3 484 102	9%
Government Grants and Subsidies	110 270 199	122 826 491	(12 556 292)	(10%)
Public Contributions and Donations	568 999	-	568 999	100%
Third Party Payments	61 708	-	61 708	100%
Fines	2 941 835	5 092 300	(2 150 465)	(42%)
Fair Value Adjustments	7 080 372	-	7 080 372	100%
Service Charges	121 180 002	122 388 079	(1 208 077)	(1%)
Rental of Facilities and Equipment	1 104 844	2 195 000	(1 090 156)	(50%)
Interest Earned - external investments	1 738 106	1 450 000	288 106	20%
Interest Earned - outstanding debtors	7 833 546	7 000 000	833 546	12%
Licences and Permits	2 926 316	2 813 500	112 816	4%
Agency Services	1 836 310	1 832 000	4 310	0%
Other Income	2 805 530	39 314 261	(36 508 731)	(93%)
	303 574 155	**344 653 917**	**(41 079 762)**	**(12%)**
Expenditure by nature				
Employee Related Costs	108 915 385	102 026 789	(6 888 596)	7%
Remuneration of Councillors	7 167 744	7 356 630	188 886	(3%)
Debt Impairment	31 030 847	8 325 200	(22 705 647)	273%
Depreciation and Amortisation	8 514 963	12 323 177	3 808 214	(31%)
Impairments	41 290 590	-	(41 290 590)	(100%)
Repairs and Maintenance (Budget included in General Expenses)	15 553 160	-	(15 553 160)	(100%)
Actuarial losses	423 426	-	(423 426)	(100%)
Finance Charges	13 857 436	13 440 075	(417 363)	3%
Bulk Purchases	41 474 697	42 000 450	525 753	(1%)
Contracted services	11 307 937	14 447 363	3 139 426	(22%)
Grants and Subsidies	638 395	-	(638 395)	(100%)
Operating Grant Expenditure (Budget included in General Expenses)	15 360 442	-	(15 360 442)	(100%)
General Expenses	26 425 297	84 489 412	58 064 115	(69%)
Loss on disposal of Property, Plant and Equipment	247 037		(247 037)	(100%)
Fair Value Adjustments	-		-	0%
	322 207 358	**284 409 096**	**(37 798 262)**	**13%**
Net Surplus for the year	**(18 633 203)**	**60 244 821**	**(78 878 024)**	**(131%)**

44.2	Expenditure by Vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	Executive & Council	45 430 022	53 347 110	(7 917 088)	(15%)
	Finance & Administration	80 028 788	45 739 689	34 289 099	75%
	Planning & Development	11 896 754	12 769 240	(872 486)	(7%)
	Community & Social Services	4 567 467	4 526 070	41 397	1%
	Housing	3 866 861	5 759 035	(1 892 174)	(33%)
	Public Safety	12 108 294	11 268 310	839 984	7%
	Sport & Recreation	7 332 234	5 936 787	1 395 447	24%
	Environmental Protection	109 092	113 896	(4 804)	(4%)
	Waste Management	24 802 765	18 077 922	6 724 843	37%
	Waste Water Management	21 586 256	15 891 532	5 694 724	36%
	Road Transport	24 219 161	21 501 448	2 717 713	13%
	Water	37 243 937	28 061 388	9 182 549	33%
	Electricity	48 653 654	46 075 519	2 578 035	6%
	Other	362 173	15 341 150	(14 978 977)	(98%)
		322 207 358	284 409 096	37 798 262	13%

44.3	Capital expenditure by vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	Executive & Council	2 003 236	3 435 785	(1 432 549)	(42%)
	Finance & Administration	489 244	2 662 565	(2 173 321)	(82%)
	Planning & Development	8 209 358	2 150 000	6 059 358	282%
	Community & Social Services	11 868	312 374	(300 506)	(96%)
	Housing	17 182 946	23 914 560	(6 731 614)	(28%)
	Public Safety	13 646	0	13 646	100%
	Sport & Recreation	17 721	-	17 721	100%
	Waste Management	807 781	2 184 000	(1 376 219)	(63%)
	Waste Water Management	15 011 612	19 100 934	(4 089 322)	(21%)
	Road Transport	4 309 453	4 958 428	(648 975)	(13%)
	Water	10 622 733	14 656 747	(4 034 014)	(28%)
	Electricity	6 218 258	9 575 505	(3 357 247)	(35%)
		64 897 856	82 950 898	(18 053 042)	(22%)

Details of material variances

The main reason for the over-expenditure on the votes is that the budget reforms was not implemented according to the requirements and allocations as per the accounting for the expenditure.The total capital budget is underspent by 22%, but there are over-spending on the individual votes by R 6 090 725. The total Operating Budget is exceeded by R 37 798 262, which consists mainly as a result of an under-provision for bad debts as well as impairments on Investment Properties due to the economic climate.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

		2012 R	2011 R
45.1	**Unauthorised expenditure**		
	Reconciliation of unauthorised expenditure:		
	Opening balance	4 460 425	8 780 520
	Unauthorised expenditure current year - capital	6 090 725	-
	Unauthorised expenditure current year - operating	63 463 791	4 460 425
	Written off by council	(4 460 425)	(8 780 520)
	Unauthorised expenditure awaiting authorisation	69 554 516	4 460 425

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	*None*

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as additional provision for doubtful debts and impairments of Investment Properties.

		2012 R	2011 R
45.2	**Fruitless and wasteful expenditure**		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	-	118 071
	Written off by council	-	(118 071)
	Fruitless and wasteful expenditure awaiting further action	-	-

Incident	Disciplinary steps/criminal proceedings		
Interest paid on late payment	*None*		118 071
		-	118 071

45.3	**Irregular expenditure**		
	Reconciliation of irregular expenditure:		
	Opening balance	6 086 468	1 505 374
	Irregular expenditure 2010/2011 restated		3 940 113
	Irregular expenditure current year	1 122 782	640 981
	Written off by council	(2 146 355)	-
	Irregular expenditure awaiting further action	5 062 895	6 086 468
	Irregular expenditure awaiting condonement from National Treasury	11 149 363	6 086 468

Incident	Disciplinary steps/criminal proceedings
Non-compliance with the Supply Chain Management Policy and not approved by the Accounting Officer - 2011/2012 - R 1 056 989	*None*
Red Ant Security Services - Director is in the service of the State - R 65 793	*None*

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

45.4	**Material Losses**		
	Water distribution losses		
	- Kilolitres purified	3 911 749	4 134 910
	- Kilolitres lost during distribution	220 646	368 125
	- Percentage lost during distribution	5.64%	8.90%
	Electricity distribution losses		
	- Units purchased (Kwh)	60 530 595	62 214 383
	- Units lost during distribution (Kwh)	3 483 001	5 095 254
	- Percentage lost during distribution	5.75%	8.19%

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1	**Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS**		
	Opening balance	-	-
	Council subscriptions	707 129	436 702
	Amount paid - current year	(707 129)	(436 702)
	Balance unpaid (included in creditors)	-	-

46.2	**Audit fees - [MFMA 125 (1)(b)]**		
	Opening balance	-	-
	Current year audit fee	2 625 798	2 309 616
	External Audit - Auditor-General	2 625 798	2 309 616
	Amount paid - current year	(2 625 798)	(2 309 616)
	Balance unpaid (included in creditors)	-	-

	2012 R	2011 R
46.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(558 150)	1 726 525
Amounts received - current year	5 783 256	4 956 427
Amounts received - previous years		(1 726 525)
Amounts claimed - current year	(5 728 835)	(5 514 577)
Amounts paid	(481 988)	
Closing balance - Receivable	**(985 717)**	**(558 150)**
VAT	1 323 787	1 205 370

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

Vat in suspense due to cash basis of accounting		
Input VAT	10 853 555	22 050 589
Output VAT	(9 529 768)	(16 922 274)
Receivable	1 323 787	5 128 314

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

46.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13 714 945	12 223 940
Amount paid - current year	(13 714 945)	(12 223 940)
Balance unpaid (included in creditors)	-	-
46.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	24 664 738	22 057 715
Amount paid - current year	(24 664 738)	(22 057 715)
Balance unpaid (included in creditors)	-	-

46.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2012:

	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
Damon M	-	254
Wood C	-	5 933
S Baird	-	565
L M de Bruyn	-	738
C T J Simmers	-	902
C Booysen-neft	-	7 031
Total Councillor Arrear Consumer Accounts	-	15 423

46.7 Deviations approved in terms of the Supply Chain Management Policy

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	177 225	67 306	-	-
Development Services	195 905	-	27 246	-
Financial Services	39 046	215 945	2 387 079	2 193 812
Technical Services	447 139	436 728	-	-
Operations	1 697 801	671 419	319 143	-
	2 557 116	1 391 397	2 733 468	2 193 812

The major deviations approved are as follows:

Incident	Amount R
Elster Kent Metering - Sole Supplier - 8 Purchases	4 271 546
Mubesko Africa - Compilation of Annual Financial Statements, unbundling of infrastructure purchases, actuarial valuations and updating of fixed asset register and classifications in terms of GRAP.	438 900
Insitu Pipelines - Replacement of 400mm sewerage line at Overberg Agri due to urgency.	319 143

46.8 **Other non-compliance (MFMA 125(2)(a))**

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section. The final unauthorised expenditure can only be determined after the finalisation of the Annual Financial Statements.

		2012 R	2011 R
47	**CAPITAL COMMITMENTS**		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	37 821 153	29 111 091
	Infrastructure	37 821 153	29 111 091
	Total	**37 821 153**	**29 111 091**
	This expenditure will be financed from:		
	External Loans		6 237 546
	Government Grants		22 873 545
		-	**29 111 091**

48 **FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2011 - 0.5%) Increase in interest rates	(978 579)	(413 916)
0.5% (2011 - 0.5%) Decrease in interest rates	489 289	413 916

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

	2012 %
Balances past due not impaired:	13 302 730

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2012 %	2012 R	2011 %	2011 R
Non-Exchange Receivables				
Rates	16.05%	16 532 071	25.69%	23 129 545
Exchange Receivables				
Services	83.95%	86 456 168	74.31%	66 899 093
	100.00%	102 988 239	100%	90 028 638

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although te credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	42 438	45 406
Receivables from exchange transactions	11 777 104	22 370 459
Receivables from non-exchange transactions	2 742 553	4 304 052
Cash and Cash Equivalents	21 413 727	22 623 534
Unpaid conditional grants and subsidies	109 943	182 255
	36 085 764	49 525 706

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2012	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Annuity Loans	17 054 300	61 409 630	58 986 269	57 250 327
Capital repayments	6 506 297	26 004 376	28 609 466	41 023 994
Interest	10 548 003	35 405 254	30 376 803	16 226 333
Long Term liabilities - Stock Loans	1 598 460	6 004 457	10 304 440	20 221 791
Capital repayments	-	-	2 553 169	14 469 801
Interest	1 598 460	6 004 457	7 751 271	5 751 990
Long Term liabilities - Finance Lease Liability	113 680	189 467	-	-
Capital repayments	11 948	86 138	-	-
Interest	101 732	103 329	-	-
Provisions - Landfill Sites	-	30 500 728	-	-
Capital repayments	-	29 048 313	-	-
Interest	-	1 452 416	-	-
Trade and Other Payables	22 350 829	-	-	-
Unspent conditional government grants and receipts	7 387 066	-	-	-
Unspent conditional public contributions and receipts	167 235			
	48 671 589	96 104 282	69 290 709	77 472 117

2011	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities - Annuity Loans	13 589 583	50 845 314	47 541 582	59 149 209
Capital repayments	4 627 687	20 274 967	20 471 366	40 112 679
Interest	8 961 896	30 570 347	27 070 216	19 036 530
Long Term liabilities - Stock Loans	3 066 969	6 002 570	8 851 389	23 275 209
Capital repayments	2 842 328	-	1 000 000	16 022 970
Interest	224 641	6 002 570	7 851 389	7 252 239
Long Term liabilities - Finance Lease Liability	49 898	-	-	-
Capital repayments	48 289		-	-
Interest	1 609		-	-
Provisions - Landfill Sites	-	-	30 500 728	-
Capital repayments			29 048 313	-
Interest			1 452 416	-
Trade and Other Payables	19 038 201	-	-	-
Unspent conditional government grants and receipts	2 328 764	-	-	-
Unspent conditional public contributions and receipts	167 235			
	38 240 670	56 847 884	86 893 699	82 424 418

49 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

		2012 R	2011 R
49.1 Financial Assets (Restated 2011)	**Classification**		
Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	48 173	52 414
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	11 777 104	22 370 459
Receivables from non-exchange transactions	Financial instruments at amortised cost	2 742 553	4 304 052
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	109 943	182 255
Current Portion of Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	4 601	4 241
Sport Club Loans	Financial instruments at amortised cost	-	-
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	15 042 204	15 394 461
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	6 365 123	7 222 673
Cash Floats and Advances	Financial instruments at amortised cost	6 400	6 400
		36 096 101	**49 536 955**
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		36 096 101	49 536 955
At amortised cost		**36 096 101**	**49 536 955**
49.2 Financial Liability (Restated 2011)	**Classification**		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	108 650 429	90 709 893
Capitalised Lease Liability	Financial instruments at amortised cost	-	-
Provisions (Non-current and current) - (Restated 2011)			
Landfill Sites	Financial instruments at amortised cost	30 500 728	30 500 728
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	13 987 558	10 774 673
Interest portion of long term liabilities	Financial instruments at amortised cost	1 938 215	974 687
Retentions	Financial instruments at amortised cost	5 698 589	5 483 602
Sundry Deposits	Financial instruments at amortised cost	709 628	598 903
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	7 387 066	2 328 784
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	6 506 297	5 223 195
Capitalised Lease Liability	Financial instruments at amortised cost	11 949	48 289
		175 390 459	**146 642 754**
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		**175 390 459**	**146 642 754**

50 EVENTS AFTER THE REPORTING DATE

The Chief Financial Officer resigned on 7 July 2012. A new Chief Financial Officer was appointed to commence work on 1 September 2012

51 IN-KIND DONATIONS AND ASSISTANCE

The DBSA provided technical assistance to the Local Economic Development Department.	1 056 300

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

		2012 R	2011 R
53	**CONTINGENT LIABILITY**		

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is approximately a general 2% increase in remuneration as from October 2009.

Morne Southon instituted a civil claim against the Municipality for damages that suffered as a result of the Cancelation of Tender Dev 4/2008/09. The Municipality defended the claim and the case will be heard on 8 October 2012 in the Cape High Court.	500 000	

54 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Year ended 30 JUNE 2012				
Councillors	32 156	110 638	22	9 968
Carelse G	2 548	7 023		1 434
Cupido A	605	4 238		460
De Wet N	4 253			354
De Wet N		12 199		931
De Wet P	450	4 265		364
Hector M	344	4 686		130
Hendricks J	3 497	3 642		659
Koegelenberg N	8 463	16 937		1 362
Nellie J	74			6
Nellie J		12 690		910
Papier Kl	1 045	10 986		524
Punt C	4 253	5 966	-	587
Sileku I	-	3 740	-	-
Sipunzi U	68	3 082	10	261
Swartz J				
Tsaka M	-	3 833	-	255
Vosloo C	6 557	17 350	12	1 730
Senior Management				
Barnard J	4 483	12 070		1 505
Gxoyiya H	-	10 483	24 232	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

54	RELATED PARTIES (CONTINUED)	2012 R	2011 R
54.3	**Compensation of key management personnel**		
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.		
54.4	**Other related party transactions**		
	The following purchases were made during the year where Councillors or staff have an interest:		
	Sinking Ships Trading 5 - T/a J&A Elektriese Werke - Decorative streetlights - Son in law of Deputy Director : Electrical	154 492	365 793
	JDFD Transport - Transport services - Mother of Denver and Fredericks Damons : Technical Services	2 650	
	Coalition Trading - Construction Services - Husband of Alison Tobias-Meintjies : Assistant Superintendant Streets and Stormwater	431 773	
	PM Builders - Construction Services - Husband of Alison Tobias-Meintjies : Assistant Superintendant Streets and Stormwater	17 764	
	Tano Vera - ICT Services - Domestic partner of Manager ICT	24 102	
	Villiersdorp Sekuriteit - Security and Monitoring Services - Husband of Speaker	53 198	
	Finck Attorneys - Legal Services - Husband of Gail Finck - Senior Clerk Clearances	2 927	
		686 906	365 793

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LONG-TERM LOANS							
Stock Loans							
DBSA	10.06%	Loan No. 102275/1	31/03/2009	11 865 299	-	1 842 328	10 022 971
DBSA 9.46% 20 year	9.46%	Loan No. 101487/1 Electricity	31/12/2024	7 873 758	-	1 000 000	6 873 758
DBSA 9.49% 5 year	9.49%	Loan No. 101487/4 Admin/Corp/Refuse	31/12/2009	126 242	-	-	126 242
Total Long-term Loans				**19 865 299**	**-**	**2 842 328**	**17 022 971**
ANNUITY LOANS							
DBSA 10.95% 10 year	10.95%	Infrastructure Programs101178/1	30/06/2014	3 577 249	-	1 067 021	2 510 228
DBSA	10.74%	Loan No. 102807/1	30/06/2013	11 322 047	-	651 026	10 671 021
DBSA	11.44%	Loan No. 103108/1	31/12/2018	9 810 450	-	222 904	9 587 546
ABSA	11.35%	(Mun Buildings) 11794	31/12/2014	171 726	-	42 497	129 229
ABSA	11.35%	(Sewerage) 11792	31/12/2014	82 895	-	20 514	62 381
ABSA	11.14%	(Electricity, Water, Sewerage)10858/1	31/12/2018	1 191 628	-	108 738	1 082 890
ABSA	11.14%	(Sewerage)10858/2	31/12/2010	114 497	-	10 448	104 049
DBSA 10.05% 30 year	10.05%	(Sewerage) 13050	31/12/2013	132 045	-	48 953	83 091
DBSA 15.30% 15 year	15.30%	(Electricity) 13062	31/12/2008	3	-	-	3
ABSA	11.35%	(Sewerage) 13051	31/12/2014	41 102	-	10 172	30 931
ABSA	11.35%	(Sewerage) 13052	31/12/2014	34 364	-	8 504	25 860
ABSA	11.79%	(Municipal Buildings) 13060	31/12/2011	6 515	-	6 515	-
ABSA	11.79%	(Water Service) 13056	31/12/2011	4 748	-	4 748	-
DBSA 16.50% 10 year	16.50%	(Roads) 13298	31/12/2009	(21)	-	-	(21)
Sanlam 10% 20 year	10.00%	40513100.00%	31/12/2010	241	-	-	241
ABSA	11.27%	(Sewerage) 104013 (12704/101)	31/12/2015	301 007	-	54 684	246 324
ABSA	11.27%	(Water Service) 105021(12705/101)	31/12/2015	124 084	-	22 542	101 541
DBSA 16.50% 20 year	16.50%	13343(16.50%) (Electricity)	31/12/2019	157 893	-	9 463	148 430
DBSA 15.75% 20 year	15.75%	Electricity (15.75%) (13705/102)	30/06/2020	78 864	-	4 402	74 462
ABSA	11.44%	Network - Elec.(15.00%) (11040/102)	31/12/2013	81 783	-	30 013	51 770
DBSA - 20 year	9.85%	103313.1	31/03/2029	21 653 959	-	466 504	21 187 455
DBSA - 15 year	9.97%	103313.2	31/03/2024	6 073 081	-	242 965	5 830 115
DBSA - 10 year	10.00%	103313.3	31/03/2019	927 055	-	80 178	846 877
DBSA - 7 year	9.95%	103313.4	31/03/2016	3 309 668	-	539 503	2 770 165
STANDARD BANK	11.67%	72480009		954 876	-	105 261	849 615
STANDARD BANK	11.72%	72479981		2 926 472	-	181 182	2 745 290
DBSA	11.06%	103817/3		11 199 407	-	174 941	11 024 466
STANDARD BANK	12.22%	272400572		8 209 060	-	205 351	8 003 709
ABSA BANK	10.45%	406885872		3 000 000	-	308 656	2 691 344
ABSA	10.79%	40-7908-8994	27/06/2027		11 785 121		11 785 121
ABSA	9.42%	40-7908-9071	27/06/2019		8 400 000		8 400 000
ABSA	8.25%	8259-8788	27/06/2019		385 711		385 711
ABSA	8.25%	8259-9091	27/06/2019		99 627		99 627
ABSA	8.25%	8259-9741	27/06/2019		614 662		614 662
Total Annuity Loans				**85 486 698**	**21 285 121**	**4 627 687**	**102 144 132**

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LEASE LIABILITY							
Bizhub B250 photo copier				5 070	-	5 070	-
Bizhub B163 photo copier				2 849	-	2 849	-
Bizhub C451 photo copier				12 480	-	12 480	-
Bizhub B250 photo copier				4 370	-	4 370	-
Bizhub C203 photo copier				20 671	-	20 671	-
Bizhub B163 photo copier				2 849	-	2 849	-
25 Dell E5520 Laptops					100 000	1 913	98 087
Total Lease Liabilities				**48 289**	**100 000**	**50 202**	**98 087**
TOTAL EXTERNAL LOANS				**105 400 285**	**21 385 121**	**7 520 217**	**119 265 189**

APPENDIX B - Unaudited

THEEWATERSKLOOF MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

MUNICIPAL SUB-VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
-	3 713 888	(3 713 888)	Admin Housing and Informal Settlements	-	3 866 861	(3 866 861)
257 452	7 060 637	(6 803 185)	Admin. : Technical Services	1 530 351	9 715 752	(8 185 401)
-	4 440 051	(4 440 051)	Admin: Operational Services	-	8 305 909	(8 305 909)
-	3 018 400	(3 018 400)	Admin: Planning and Development	-	3 336 455	(3 336 455)
639 568	386 293	253 275	Building Control	771 554	284 600	486 954
304 736	434 891	(130 155)	Cemeteries	315 857	373 669	(57 812)
-	368 856	(368 856)	Civil Protection & Fire Protection	-	875 107	(875 107)
1 721 685	14 207 440	(12 485 755)	Council's General Expences	1 649 238	14 065 823	(12 416 585)
1 074 979	7 968 716	(6 893 737)	Directorate Corporate Services	1 347 156	13 342 538	(11 995 382)
47 284 770	41 647 714	5 637 056	Electricity Distribution	59 412 930	48 653 554	10 759 376
41 427 086	13 968 825	27 458 261	Financial Services	42 886 206	10 910 405	31 975 801
228 684	1 550 948	(1 322 264)	Human Resources	639 798	2 045 649	(1 405 851)
635 156	3 719 392	(3 084 236)	IDP / LED	556 600	3 636 316	(3 079 716)
-	792 068	(792 068)	Information Technology	-	(964 631)	964 631
-	905 716	(905 716)	Internal Audit	-	1 419 999	(1 419 999)
2 900	1 815 087	(1 812 187)	Law Enforcement	-	2 151 541	(2 151 541)
744 378	4 408 027	(3 663 649)	Library	4 258 073	4 193 798	64 275
-	485 664	(485 664)	Mechanical Workshop	-	362 173	(362 173)
859 235	3 223 896	(2 364 661)	Municipal Manager	568 999	4 233 287	(3 664 288)
5 883	1 277 211	(1 271 328)	Nature reserve	-	1 187 109	(1 187 109)
25 129	433 420	(408 291)	Other	21 825	281 654	(259 829)
18 795	5 073 070	(5 054 275)	Parks and Recreation	(243 437)	5 268 568	(5 512 005)
-	170 202	(170 202)	Pollution Control	-	109 092	(109 092)
60 000	234 183	(174 183)	Proclaimed Main Roads	-	97 849	(97 849)
11 628	2 099 702	(2 088 074)	Property Manangement	-	1 667 956	(1 667 956)
41 133 541	1 135 222	39 998 319	Property Rates	43 250 669	5 594 107	37 656 562
13 658 959	7 108 726	6 550 233	Property Services	8 068 139	47 347 763	(39 279 624)
-	19 178 598	(19 178 598)	Roads	(1 108 279)	20 179 517	(21 287 796)
15 397 344	11 728 832	3 668 512	Sewerage	16 570 100	15 695 872	874 228
-	3 585 940	(3 585 940)	Sewerage Purification	-	3 523 558	(3 523 558)
1 303 567	2 139 308	(835 741)	Sewerage Tanker Services	1 356 923	2 366 826	(1 009 903)
18 522 752	21 258 036	(2 735 284)	Solid Waste	20 276 751	24 802 765	(4 526 014)
16 342	672 589	(656 247)	Sports Grounds	45 879	571 066	(525 187)
53 434 561	23 503 008	29 931 553	Subsidies and Grants	55 405 532	9 442 209	45 963 323
46 008	635 508	(589 500)	Swimming pool & Camping Site	(14 791)	305 491	(320 282)
424 360	2 523 819	(2 099 459)	Town Planning	291 996	2 724 390	(2 432 394)
3 738 751	8 247 813	(4 509 062)	Traffic Services	3 016 984	8 799 992	(5 783 008)
4 634 604	3 447 126	1 187 478	Vehicle Licensing and Testing	4 986 009	3 941 795	1 044 214
36 437 311	28 592 369	7 844 942	Water Distribution	37 466 056	37 243 937	222 119
284 050 164	257 161 191	26 888 973	Sub Total	303 327 118	321 960 321	(18 633 203)
-	-	-		-	-	-
284 050 164	257 161 191	26 888 973	**Total**	303 327 118	321 960 321	(18 633 203)

APPENDIX C - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
3 054 116	33 676 844	(30 622 728)	Executive & Council	4 526 745	45 430 022	(40 903 277)
150 742 066	52 188 409	98 553 657	Finance & Administration	150 819 343	80 028 788	70 790 555
1 710 712	11 747 606	(10 036 894)	Planning & Development	1 620 150	11 649 717	(10 029 567)
1 049 114	4 842 918	(3 793 804)	Community & Social Services	4 573 930	4 567 467	6 463
-	3 713 888	(3 713 888)	Housing	-	3 866 861	(3 866 861)
3 766 780	10 865 176	(7 098 396)	Public Safety	3 038 809	12 108 294	(9 069 485)
87 028	7 658 378	(7 571 350)	Sport & Recreation	(212 349)	7 332 234	(7 544 583)
-	170 202	(170 202)	Environmental Protection	-	109 092	(109 092)
18 522 752	21 258 036	(2 735 284)	Waste Management	20 276 751	24 802 765	(4 526 014)
16 700 911	17 454 080	(753 169)	Waste Water Management	17 927 023	21 586 256	(3 659 233)
4 694 604	22 859 907	(18 165 303)	Road Transport	3 877 730	24 219 161	(20 341 431)
36 437 311	28 592 369	7 844 942	Water	37 466 056	37 243 937	222 119
47 284 770	41 647 714	5 637 056	Electricity	59 412 930	48 653 554	10 759 376
-	485 664	(485 664)	Other	-	362 173	(362 173)
284 050 164	257 161 191	26 888 973	**Total**	303 327 118	321 960 321	(18 633 203)

APPENDIX D - Unaudited
THEEWATERSKLOOF MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2011	Grants Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	R	R	R	R
National Government Grants				
Equitable Share	-	44 750 000	(44 750 000)	-
EPWP	1 427 639	973 000	(1 464 372)	936 267
National Electrification Program	-	1 000 000	(1 000 000)	-
Municipal Infrastructure Grant	-	21 577 000	(19 549 524)	2 027 476
MSIG Funds	136 458	1 200 000	(1 336 458)	0
Finance Management Grant	356 033	1 250 000	(1 715 976)	(109 943)
Neighbourhoud Development Programme Grant		2 000 000	(127 272)	1 872 728
Regional Bulk Infrastructure Grant (RBIG)		276 983	(276 983)	-
Total National Government Grants	**1 920 130**	**73 026 983**	**(70 220 585)**	**4 726 528**
Provincial Government Grants				
Spatial Development Framework	30 469	-	-	30 469
Botrivier Development Contribution	38 889	-	-	38 889
CDW's	52 484	190 900	(145 238)	98 146
Project Reparation	69 400	-	-	69 400
Housing	(182 255)	33 290 623	(31 623 753)	1 484 615
Multi Purpose Bus	62 102	-	-	62 102
Main Roads Subsidy	-	2 828 000	(2 828 000)	-
Library Subsidy	-	4 234 000	(4 234 000)	-
Financial Support Grant		400 000		400 000
Total Provincial Government Grants	**71 089**	**40 943 523**	**(38 830 991)**	**2 183 621**
Other Grant Providers				
DBSA GIS	23 167	-	(22 224)	943
DBSA Local Economic Development	132 142	790 488	(556 600)	366 030
SETA	-	639 798	(639 798)	-
Total Other Grant Providers	**155 309**	**1 430 286**	**(1 218 622)**	**366 973**
Total	**2 146 528**	**115 400 792**	**(110 270 198)**	**7 277 122**